

Message Text

UNCLASSIFIED

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14

ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 COME-00 /030 W

----- 064541

R 051200Z FEB 76

FM AMCONSUL ALEXANDRIA

TO SECSTATE WASHDC 0050

INFO AMEMBASSY BRUSSELS

AMEMBASSY CAIRO

UNCLAS ALEXANDRIA 0085

E.O. 11652: N/A

TAGS: BEXP, EG

SUBJECT: ADAPTING TO LOCAL BUSINESS PRACTICES

1. CONGEN HAS LEARNED FROM LOCAL AGENTS OF SEVERAL US BUSINESS FIRMS THAT AMERICAN BUSINESSMEN SEEM RELUCTANT TO BID ON MANY TENDERS CALLED FOR BY EGYPTIAN MINISTRIES AND OTHER GOVERNMENT ORGANIZATIONS WHEN FACED WITH REQUIREMENT OF 2 PERCENT "GOOD FAITH" DEPOSIT, A FAIRLY FREQUENT PRACTICE HERE. RELUCTANCE SEEMS TO STEM FROM MISUNDERSTANDING AND CONCERN THAT DEPOSIT MIGHT BE FORFEITED, AND IN SOME CASES RELUCTANCE TO TIE UP COMPANY FUNDS WHEN LENGTH OF TIME BEFORE CONTRACT WILL BE AWARDED IS UNKNOWN OR TIME IS KNOWN TO BE WELL IN THE FUTURE.

2. DEPOSIT REQUIREMENT, WE BELIEVE, HAS BEEN INSTITUTED TO DISCOURAGE PRACTICE NOT UNCOMMON IN THIS SOCIETY OF SUBMITTING LOW ENOUGH BID TO WIN CONTRACT, THEN REFUSING TO FULFILL CONTRACT WITHOUT HAGGLING PRICE UP (USUALLY TO JUST BELOW NEXT BIDDER). UNDER "GOOD FAITH" DEPOSIT SYSTEM, SUCH BIDDER WOULD FORFEIT HIS DEPOSIT IF HE FAILED MEET THE CONTRACT. HOWEVER, WHEN CONTRACT HAS BEEN AWARDED, LOSING BIDDERS ARE RETURNED THEIR DEPOSIT OR OTHER GUARANTEE.

3. "GUARANTEE", BY THE WAY, CAN BE USED TO MINIMIZE AMOUNT OF CASH A BIDDER WOULD HAVE TO TIE UP WHILE
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AWAITING A DECISION. A BANK LETTER, GUARANTEEING PAYMENT

OF REQUIRED DEPOSIT SHOULD SUCCESSFUL BID NOT BE
CARRIED OUT, IS ACCEPTABLE.
CHASE

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NNN

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